

Message Text

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20

ACTION AGR-20

INFO OCT-01 EA-11 ISO-00 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 L-03 H-03 PA-04 PRS-01 USIA-15 /171 W

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P 250835Z JUN 74

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 4659

LIMITED OFFICIAL USE MANILA 7556

E.O. 11652: N/A

TAGS: EGEN, RP

SUBJECT: GOP MARKETING CONTROLS

REF: A) STATE 131716; B) MANILA 7106; C) MANILA 7007

D) MANILA 5950

1. GOP TAKE-OVER OF SUGAR MARKETING AROSE OUT OF MAY 12 DECISION, REFERRED TO IN REF. D, TO ESTABLISH 500,000 TON C QUEDAN RESERVE STOCK OUT OF 1973-74 CROP OF APPROXIMATELY 2.5 MILLION TONS.

2. PRIOR TO MAY 12, 9 PERCENT OF SUGAR BROUGHT FOR MILLING WAS CATEGORIZED C. TO MEET 500,000 TON FIGURE, HOWEVER, REQUIRES THAT 20 PERCENT OF CROP BE CLASSIFIED AS C SUGAR, AND AFTER MAY 12 ALL MILLINGS OF A SUGAR (EXPORT) WERE COVERED BY ISSUANCE OF NEW CATEGORY C-1 QUODANS.

3. IT WAS EVENTUALLY DETERMINED THAT ONLY ABOUT 168,000 TONS C-1 SUGAR AVAILABLE TO AUGMENT 225,000 TONS C SUGAR, LEAVING GOVERNMENT 107,000 TONS SHORT OF ITS 500,000 TON GOAL. THIS LED GOVERNMENT ON LIMITED OFFICIAL USE

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JUNE 11 TO TAKE OVER ALL SUGAR MARKETING AS MEANS TO

GAIN CONTROL OF A QUEDAN SUGAR WHICH MILLED PRIOR TO MAY 12 BUT NOT YET EXPORTED.

4. ALTHOUGH TRADE REPORTS THERE IS ABOUT 100,000 TONS OF A QUEDAN SUGAR IN-COUNTRY FOR WHICH FINAL CONTRACTS NOT REGISTERED WITH CENTRAL BANK, TRADE BELIEVES ABOUT 80 PERCENT OF THIS IS ALREADY COMMITTED ON BASIS OF L/C'S OPENED, IN SOME INSTANCES RED CLAUSE L/C'S WHICH ALREADY DRAWN DOWN. COMMON PRACTICE IS FOR CONTRACT PRICE TO BE SET AFTER SHIPMENT, ON BASIS SPOT PRICE THEN PREVAILING. CENTRAL BANK HAS REPORTEDLY AGREED TO CONSIDER THESE TRANSACTIONS ON CASE-BY-CASE BASIS, THUS ENABLING SUGAR TRADERS TO MEET COMMITMENTS ALTHOUGH LEAVING GOVERNMENT STILL FAR SHORT OF ITS 500,000 TON GOAL.

5. C AND C-1 QUEDANS UNDER JUNE 11 DIRECTIVE ARE BEING SOLD BY PLANTERS DIRECTLY TO PNB, WHICH IS MAKING IMMEDIATE PAYMENT. TRADE REPORTS THAT PNB HAS NOT ENTERED INTO ANY EXPORT CONTRACTS SINCE JUNE 11 AND IS UNDER NO IMMEDIATE PRESSURE TO DO SO SINCE PHILIPPINE EXPORT PIPELINE IS FULL. EXPECTATION, HOWEVER, IS THAT PNB WILL SELL SUGAR UNDER ITS CONTROL DIRECTLY TO FOREIGN IMPORTERS WITHOUT UTILIZATION OF PRIVATE SUGAR TRADERS. THIS WOULD BE CONSISTENT WITH PRACTICE IT HAS ALWAYS FOLLOWED FOR C QUEDANS, WHICH HAVE ALWAYS BEEN UNDER ITS MARKETING CONTROL.

6. TRADE, OBVIOUSLY, IS APPREHENSIVE THAT GOVERNMENT NEXT YEAR WILL CONTINUE ITS CONTROL OVER A QUEDAN AS WELL AS C QUEDAN MARKETING. CURRENT GOVERNMENT POSITION, HOWEVER, IS THAT ITS INTENT IS MERELY TO CONTROL 20 PERCENT OF CROP WHICH WILL HENCEFORTH BE COVERED BY C QUEDANS. REPORTS CITED REFTEL B THAT SECRETARY OF TRADE QUIAZON HAD STATED THAT SINGLE SELLING AGENCY CONCEPT WOULD BE EXTENDED FROM SUGAR TO COCONUT PRODUCTS, LOGS, AND MINERALS ORIGINATED FROM JUNE 11 MEETING, BUT STATEMENT, IF MADE, HAS NOW BEEN RETRACTED.

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7. THERE ARE SOME FAIRLY SUBSTANTIAL U.S. INTERESTS INVOLVED IN MARKETING AND PRODUCTION IN PRODUCT AREAS CITED ABOVE. HOWEVER, IT MEANINGLESS TO SPECULATE ON FORM SINGLE SELLING AGENCY CONCEPT MIGHT TAKE IN ABSENCE OF ANY CERTAINTY THAT IT WILL BE INSTITUTED. IT SHOULD ALSO BE NOTED THAT U.S. INTERESTS ARE NOT DOMINANT IN ANY OF THESE PRODUCT AREAS, THAT PHILIPPINE GOVERNMENT MOVES IN SUGAR ARE NON-DISCRIMINATORY,

AND THAT PHILIPPINE PRIVATE SECTOR IS FULLY AS DESIROUS
AS U.S. INTERESTS THAT GOVERNMENT CONTROL NOT BE
FURTHER EXTENDED.
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